

Naval Audit Service



Audit Report



Budget Execution Transactional Review at Selected Fleet Warfare Enterprise Commands

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N2011-0048
4 August 2011

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NAVAL AUDIT SERVICE
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WASHINGTON NAVY YARD, DC 20374-5005

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N2009-NFA000-0020.001
4 Aug 11

MEMORANDUM FOR COMMANDER, U.S. FLEET FORCES COMMAND,
COMMANDER, U.S. PACIFIC FLEET

Subj: **BUDGET EXECUTION TRANSACTIONAL REVIEW AT
SELECTED FLEET WARFARE ENTERPRISE COMMANDS
(AUDIT REPORT N2011-0048)**

Ref: (a) NAVAUDSVC memo N2009-NFA000-0020.001, dated 3 Feb 10
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

Encl: (1) Status of Recommendations
(2) Erroneous or Unsupported Transactions
(3) Internal Control Issues

1. **Introduction.** We have completed the subject audit, announced in reference (a), and determined that 269 transactions, totaling \$1.851 billion,¹ complied with purpose, time, and amount criteria of appropriation law. Audit results from a previous Naval Audit Service report, N2010-0059, indicated that adequate source documentation was not readily available from Fleet Forces Command and Pacific Fleet Command for 129 of these Operations and Maintenance, Navy transactions, and controls were not in place to ensure the proper recording of the transactions. We subsequently agreed to management's request to accept the additional documentation, and are separately reporting our review results for those transactions in this report. Although most documentation was ultimately provided, the recommendations in this audit address the need to ensure that internal controls are in place and functioning in order to maintain readily available and accurate source documentation. The success of future financial statement audits will depend on sound internal controls and the maintenance of good audit trails and readily available authoritative source documentation.

2. **Reason for Audit.** The audit objective was to verify that the select Fleet Forces Command and Pacific Fleet Command Operations and Maintenance, Navy transactions were executed in accordance with governing appropriation laws, guidance, and regulations.

¹Of 284 transactions valued at \$1.852 billion, per paragraph 5.b, page 4.

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3. Background.

a. Naval Audit Service audit, “Budget Execution at Selected Fleet Enterprise Activities” (N2009-NFA-0020²), was requested by the Assistant Secretary of the Navy (Financial Management and Comptroller) (Office of Budget). This office requested the audit to gauge how the fleets were implementing budget execution for the Warfare Enterprise structure. During that review, we selected transactions to test whether the purpose, time, and amount criteria were met in accordance with appropriations law for the Operations and Maintenance, Navy appropriation. However, we could not determine whether this criteria had been met for all transactions due to missing or partial documentation, which signified weak internal controls. Due to the significance of these issues, we agreed to conduct further audit work and separately report on the transaction review details and any potential violations of the Antideficiency Act. This audit represents the agreed-to follow-on audit to Naval Audit Service Report N2010-0059.

b. Commander, United States Fleet Forces Command, and Commander, United States Pacific Fleet received \$9.8 billion and \$9.1 billion, respectively, in Fiscal Year (FY) 2008 Operations and Maintenance, Navy direct funds in order to execute their programs and mission. It is the responsibility of these commands to allocate funds to their subordinate commands. Subordinate commands for Commander, United States Fleet Forces Command include Commander, Naval Air Force, Atlantic and Commander, Naval Surface Force, Atlantic. Subordinate commands for the Pacific Fleet include Commander, Naval Air Force, Pacific and Commander, Naval Surface Force, Pacific. Operations and Maintenance, Navy funds are available for obligation for 1 fiscal year. If funds are not obligated within that period, they are generally not available for new obligation.

c. An obligation is a legally binding agreement or action that will result in outlays, immediately or in the future. The obligation amount should be recorded when the event occurs and must be supported by documentary evidence of the transaction. The obligation must be made within the period of the appropriation’s availability and must be used for specific goods to be delivered or services to be provided.

4. Corrective Actions. We made four recommendations to correct internal control and documentation issues identified during the audit. Recommendations 1 and 2 were addressed to Commander, Fleet Forces Command, and Recommendations 3 and 4 were addressed to Commander, United States Pacific Fleet. Commander, Fleet Forces Command and Commander, United States Pacific Fleet concurred with the recommendations, which are open pending completion of corrective action. The planned actions to develop document retention standards and a Data Warehousing System satisfy the intent of the recommendations.

² Audit Report N2010-0059, “Budget Execution At Selected Fleet Enterprise Activities,” was published 22 September 2010.

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5. Pertinent Guidance.

a. **Title 31 of the United States Code, Section 1301, Purpose Statute**, stipulates that appropriations shall be applied only to the objects for which the appropriations were made, except as otherwise provided by law. In addition, Title 31 United States Code, Section 1502(a), **Time Limitation**, referred to as the “Bona Fide Need Rule,” states that the balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability. Also, **Title 31 United States Code, Section 1341(a)**, states that “an Officer or Employee of the United States Government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation [**Amount Limitation**].”

b. **Office of Management and Budget Circular A-123, “Management Accountability and Control,” dated 21 December 2004**, states that one of the management internal control assertions is that documentation for internal controls, all transactions, and other significant events must be readily available for examination.

c. **Department of Defense (DoD) Financial Management Regulation 7000.14-R Volume 6A, Chapter 2, dated November 2008**, states, “DoD Components are responsible for ensuring the accuracy, completeness, and timeliness, of documentary support for all data generated and input into finance and accounting systems. In addition, they shall ensure that audit trails are maintained in sufficient detail to permit tracing of transactions from their sources to their transmission.” **Volume 14, Chapter 1, Paragraph 010205, Section (I) (4), dated January 2009**, states, “DoD officials shall maintain internal control systems to ensure that all proposed obligations of funds are reviewed to ensure that sufficient funds are available to cover the obligation, the purpose of the obligation is consistent with the authorized purposes of the fund or account, and the obligation does not violate any special or recurring provisions and limitations on the incurrence of obligations.” **Volume 14, Chapter 2, Paragraph 020203, dated March 2009**, states, “No [Anti-Deficiency Act] violation is considered to have occurred when an over obligation or over expenditure results solely from recording a transaction in an erroneous account or recording an incorrect amount for a transaction. In each instance, the potential violation status is eliminated by correcting the erroneous transaction or by posting the omitted transaction. These actions shall not include the deletion or adjustment of any valid transactions. If, after the proper recording of the transactions, an over obligation or expenditure of the appropriation, fund, or amount limited by a formal administrative subdivision of funds remains, then a potential ADA violation has occurred.”

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6. Scope/Methodology.

a. For the initial audit, we visited six commands³ between 17 November 2008 and 24 April 2009, and continued to attempt to obtain documentation through 8 December 2010 to determine compliance with the Operations and Maintenance, Navy appropriation law for purpose, time, and amount; and to determine if internal controls were in place to ensure the proper recording of such transactions. The six commands' FY 2008 transaction universe of 57,844 transactions had a total dollar value of \$4.59 billion. At each of the six commands visited, we isolated a subset of the overall funds received to select sample transactions. For the initial audit work reported in Naval Audit Service report N2010-0059, we judgmentally selected 299 transactions valued at \$1.91 billion for review based on high and low dollar values, duplicated dollar values, and negative dollar values. Command personnel provided documentation supporting 170 transactions totaling \$1.38 billion in a timely manner. However, we found that documentation was not readily available to fully support the remaining 129 transactions totaling \$535.27 million. Due to the significance of this issue, we agreed to extend the audit and provide additional time to receive the additional documentation and to separately report the results of the transaction review. There were at least 79 formal requests for supporting documentation made to the six commands between 10 December 2008 and 8 December 2010, as well as requests to the Office of Budget to review possible Anti-Deficiency Act violations. Table 1 shows the number of requests made to each command for supporting documentation, as well as the request date ranges.

Table 1. Summarized Timeline Request

Command	Number of Requests	Date Duration
Commander, United States Fleet Forces Command	26	12/10/08 - 6/23/2010
Commander, Naval Air Force, Atlantic	8	6/3/09 - 6/18/10
Commander, Naval Surface Force, Atlantic	15	3/13/09 - 11/24/10
Commander, United States Pacific Fleet	15	1/29/09 - 12/8/10
Commander, Naval Air Force, Pacific	4	4/17/09 - 1/26/10
Commander, Naval Surface Force, Pacific	11	4/9/09 - 6/18/10
Total	79	

b. We could not review 15 of 299 transactions, valued at \$57.97 million, selected for the initial audit against the purpose, time, and amount criteria because either sufficient supporting documentation was not maintained in a readily available status or there was a

³Commander, Fleet Forces Command; Commander, Pacific Fleet; Commander, Naval Air Force, Atlantic; Commander, Naval Surface Force, Atlantic; Commander, Naval Air Force, Pacific; and Commander, Naval Surface Force, Pacific transactions were selected for review.

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lack of available supporting documentation for the nature of the transactions (i.e., credits and recapture/de-obligation of funds). Since we were provided detailed verbal explanations for the transactions and the reasons why documentation was not readily available, we removed them from the purpose, time, and amount analysis portion of the audit. Therefore, we validated and concluded purpose, time, and amount criteria for 284 of the 299 transactions selected for review. We included the 15 transactions in the analysis of whether internal controls were in place to ensure the proper recording of all 299 transactions.

c. The audit was conducted in accordance with Generally Accepted Government Auditing Standards, which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

7. Summary of Audit Results.

a. **Purpose, Time, and Amount Analysis of 284 Transactions.** We found that 269 transactions totaling \$1.851 billion were fully supported, and met the purpose, time, and amount criteria. The remaining 15 transactions, valued at \$57.97 million, were not fully supported by adequate and sufficient documentation. This prevented purpose, time, and amount determinations, and was indicative of seven possible Anti-Deficiency Act violations. Accordingly, we questioned whether the seven transactions, totaling \$79,770, were possible Anti-Deficiency Act violations, and informed the respective commands of our preliminary analysis. Upon receipt of additional documentation, we determined the seven transactions had accounting errors and were not Anti-Deficiency Act violations. The respective commands provided additional information and sufficient appropriate documentation of corrections applied to the accounting errors in accordance with Volume 14, Chapter 2, Paragraph 020203, of the Defense Financial Management Regulation. We could not determine purpose, time, and amount for the the remaining eight transactions due to a lack of documentary evidence. Enclosure 2 provides additional information about the 15 transactions. Erroneous posting of obligations would distort appropriation accounting and reporting, and if undetected, these errors would result in possible Anti-Deficiency Act violations.

b. **Internal Control Analysis of 299 Transactions.** We identified internal control issues associated with 85 (or 28 percent) of the 299 transactions, totaling \$490.75 million. These issues occurred primarily due to:

1. Insufficient, unofficial, or inconsistent supporting documentation;
 - incorrect and incomplete delivery packing slips

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- incorrectly dated contract modifications
 - unofficial funds usage documents
2. Inability to provide documentary evidence to support obligations posted in the Standard Accounting and Reporting System;
- documentation provided was less than the obligation posted in the Standard Accounting and Reporting System
3. Unauthorized signature authority;
- funding documents were signed by an individual who did not have signature authority on file at the time of site visit
4. Documentation retention/lack of documentation;
- invoices/receipts not available
 - Standard Accounting and Reporting System/trial balance report not available
5. Incorrect use of accounting codes;
- obligation cited incorrect fiscal year line of accounting
6. Funds expended from incorrect fiscal year line of accounting; and
7. Reconciliation issues
- differences between Navy Energy Usage Reporting System Report, multi-fuel pricing data, and the Standard Accounting and Reporting System data prevented reconciliation of fuel charges
 - incorrect data records prevented verification of port visit costs

Table 2 shows the total transaction and dollar amounts for the internal control issues by command.

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Table 2. Command Internal Control Issues

Command	Internal Control Transactions	Internal Control Amount	Internal Control Issue(s)*
Commander, U.S. Fleet Forces Command	14	\$390,460,693.18	1,4,5,6
Commander, U.S. Pacific Fleet	5	\$5,973,466.89	1,2,4,5,6
Commander, Naval Air Force, Atlantic	12	\$13,875,459.77	2,3,4,5,6
Commander, Naval Air Force, Pacific	9	\$13,264,982.91	1,2,4,5
Commander, Naval Surface Force, Atlantic	30	\$63,763,942.82	1,2,4,5,6
Commander, Naval Surface Force, Pacific	15	\$3,412,035.28	1,2,4,5,6
Total	85	\$490,750,580.85	

*Legend: 1- insufficient, unofficial, or inconsistent supporting documentation; 2- inability to provide documentary evidence to support obligations; 3- unauthorized signature authority; 4- documentation retention/lack of documentation; 5- incorrect use of accounting codes; 6- reconciliation issues

8. Conclusion. The Federal Managers' Financial Integrity Act (FMFIA) of 1982, as codified in Title 31, United States Code, requires each Federal Agency head to annually certify the effectiveness of the agency's internal and accounting system controls. A lack of audit trails and readily available source documents have historically contributed to auditors' inability to render favorable audit opinions on financial statement information. Keys to achieving a favorable audit opinion include assuring that: (1) internal controls are in place and working to ensure the proper recording of transactions; (2) information affecting the financial statement has an audit trail sufficient to clearly trace information to a source document; and (3) source documents are readily available for auditor examination. Although documentation was eventually provided during this extended audit, opportunities exist to improve documentation availability and internal controls to ensure funds are executed and accounted for consistent with Department of Defense guidance. In our opinion, the weaknesses noted in this report may warrant reporting in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

9. Recommendations.

The Office of the Commander, United States Fleet Forces Command responded to Recommendations 1 and 2, and the Office of the Commander, United States Pacific Fleet responded to Recommendations 3 and 4. Summaries of the management responses, with our comments, are below. The full text of the management responses is in the Appendices.

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We recommend that the Commander, United States Fleet Forces Command:

Recommendation 1. Enforce guidelines for maintenance of documentation and perform periodic reviews to determine if controls are in place and working to ensure adequate documentation is readily available for review.

FFC management response to Recommendation 1: Concur. FFC has identified numerous barriers to document retention and availability at Fleet units (Operational Commands). FFC is taking steps to ensure financial records are retained and available for examination upon request. The target date for implementation of an Interim Data Warehousing System is January 2012. FFC is in communication with ASN (FM&C) to develop guidance pertaining to document retention standard that will be promulgated to subordinate activities. ASN (FM&C) indicates guidance should be forthcoming by 30 September 2011.

Naval Audit Service comment on Fleet Forces Command response to Recommendation 1: The planned corrective action by COMUSFLTFORCOM to develop document retention guidance and a Data Warehousing System satisfies the intent of the recommendation. Because the corrective action called for in the recommendation will be accomplished by the guidelines that ASN (FM&C) plans to issue by 30 September 2011, we are using that date as the target completion date for the recommendation.

Recommendation 2. Direct subordinate activities to enforce guidelines for maintenance of documentation and periodically sample transactions to determine if controls are in place and working to ensure adequate documentation is readily available for review and funds are executed in accordance with defense guidance.

FFC management response To Recommendation 2: Concur. Direction to subordinate activities will be released upon receipt of retention guidance from ASN (FM&C). FFC will conduct periodic sampling to ensure compliance.

Naval Audit Service comment on COMUSFLTFORCOM response to Recommendation 2: The planned corrective action of COMUSFLTFORCOM satisfies the intent of the recommendation.

We recommend that the Commander, United States Pacific Fleet:

Recommendation 3. Enforce guidelines for maintenance of documentation and perform periodic reviews to determine if controls are in place and working to ensure adequate documentation is readily available for review.

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COMPACFLT management responses To Recommendation 3: Concur.

In March 2011, COMPACFLT issued Financial Improvement Program (FIP) guidance that reemphasized to all COMPACFLT activities to perform reviews of transactions to determine that proper internal controls are in place and all transactions are supported with the proper documentation. COMPACFLT is also working with ASN (FM&C) to develop documentation standards. The target completion date is 30 September 2011.

Naval Audit Service comment on COMPACFLT response to

Recommendation 3: The planned corrective action of COMPACFLT satisfies the intent of the recommendation.

Recommendation 4. Direct subordinate activities to enforce guidelines for maintenance of documentation and periodically sample transactions to determine if controls are in place and working to ensure adequate documentation is readily available for review and funds are executed in accordance with defense guidance.

COMPACFLT management response To Recommendation 4: Concur.

In March 2011, COMPACFLT issued FIP guidance to COMPACFLT activities to review selected samples of transactions to ensure that all supporting documentation is in place and that funds are obligated and expended in accordance with defense guidance. Through the FIP, COMPACFLT is currently performing Summary of Budgetary Resource tests of transactions with subordinate commands to determine transaction accuracy, determine availability of documentation, demonstrate accountability, and identify gaps and issues in recording and processing transactions and to evaluate and improve financial infrastructure to support audits. Action is completed. Furthermore, upon ASN (FM&C) approval, document retention guidance will be issued to subordinate activities. The target completion date is 30 September 2011.

Naval Audit Service comment on COMPACFLT response to

Recommendation 4: The planned corrective action of COMPACFLT satisfies the intent of the recommendation.

10. Other Information

a. Please provide all correspondence to the Assistant Auditor General for Financial Management and Comptroller Audits, XXXXXXXXXXXXXXXXXXXX, XXXXXXXXXXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXXXXXXXXXXXXXX. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.

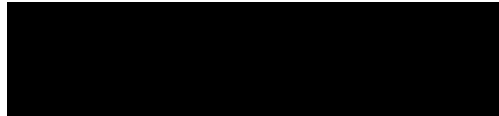
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b. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

c. We appreciate the cooperation and courtesies extended to our auditors.



XXXXXXXXXXXXXXXXXXXX

FOIA (b)(6)

Assistant Auditor General
Financial Management and Comptroller Audits

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Enclosure 1:

Status of Recommendations

Recommendations							
Finding ⁴	Rec. No.	Page No.	Subject	Status ⁵	Action Command	Target or Actual Completion Date	Interim Target Completion Date ⁶
1	1	8	Enforce guidelines for maintenance of documentation and perform periodic reviews to determine if controls are in place and working to ensure adequate documentation is readily available for review.	O	Commander, United States Fleet Forces Command	9/30/11	
1	2	8	Direct subordinate activities to enforce guidelines for maintenance of documentation and periodically sample transactions to determine if controls are in place and working to ensure adequate documentation is readily available for review and funds are executed in accordance with defense guidance.	O	Commander, United States Fleet Forces Command		9/30/11
1	3	8	Enforce guidelines for maintenance of documentation and perform periodic reviews to determine if controls are in place and working to ensure adequate documentation is readily available for review.	O	Commander, United States Pacific Fleet	9/30/11	
1	4	9	Direct subordinate activities to enforce guidelines for maintenance of documentation and periodically sample transactions to determine if controls are in place and working to ensure adequate documentation is readily available for review and funds are executed in accordance with defense guidance.	O	Commander, United States Pacific Fleet	9/30/11	

⁴ / + = Indicates repeat finding.

⁵ / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress.

⁶ If applicable.

Enclosure 2:**Erroneous or Unsupported Transactions**

Activity	Document Number	Transaction Date	Transaction Amount	Description/Explanation
Commander Naval Air Force, Pacific	0000497175357	11/4/08	\$60,805.00	Accounting error corrected by command. Transaction occurred in FY 2009, but was paid with FY 2008 funds. An obligation was entered into STARS citing wrong FY job order number. Commander, Naval Air Force, Pacific provided corrective cost transfer documentation.
Commander Naval Air Force, Pacific	4693041843031	10/29/08	\$4,659.48	Accounting error corrected by command. Transaction occurred in FY 2009, but was paid with FY 2008 funds. An obligation was entered into Standard Accounting and Reporting System citing wrong FY job order number. Commander, Naval Air Force, Pacific provided corrective cost transfer documentation.
Commander Naval Air Force, Pacific	5999304300058	10/30/08	\$1,870.23	Accounting error corrected by command. Transaction occurred in FY 2009, but was paid with FY 2008 funds. An obligation was entered into the Standard Accounting and Reporting System citing wrong FY job order number. Commander, Naval Air Force, Pacific provided corrective cost transfer documentation.
Commander Naval Surface Force, Atlantic	V5382508TORBZU3	9/13/07	\$1,168.18	Accounting error corrected by command. Funds were obligated and expended during FY 2008 for a bona fide FY 2007 need (conference attendance during FY 2007). Commander, Naval Surface Force, Atlantic provided corrective cost transfer documentation.

Activity	Document Number	Transaction Date	Transaction Amount	Description/Explanation
Commander Naval Surface Force, Atlantic	V5382508TOREQ04	9/26/07	\$1,157.11	Accounting error corrected by command. Funds were obligated and expended during FY 2008 for a bona fide need of FY 2007, (FY 2007 Information Meeting). Commander, Naval Surface Force, Atlantic provided cost transfer documentation for the correct fiscal year.
Commander Naval Surface Force, Pacific	R5382472750100	12/12/07	\$9,867.00	Accounting error corrected by command. Funds were obligated and expended during FY 2008 for a bona fide need in FY 2007 (FY 07 training seminar). Commander, Naval Surface Force, Pacific provided cost transfer documentation for the correct fiscal year.
Commander Naval Surface Force, Pacific	R2194408TOWIT02	10/31/08	\$243.00	Accounting error corrected by command. The travel voucher had the correct FY 2009 line of accounting for the per diem of \$202.50, but funds were posted and expended against the FY 2008 appropriation. Commander, Naval Surface Force, Pacific provided cost transfer documentation.
Commander Naval Surface Force, Atlantic	Work Year and Personnel Cost Report of September 2008	3/12/09 (STARS Run Date)	\$3,736,611.22	Lack of Documentary Evidence. The Standard Accounting and Reporting System did not show dates of obligation to fund civilian labor costs. Therefore, time and amount could not be validated. Also, the Defense Finance and Accounting Service provided a Work Year and Personnel Cost report, which revealed a transaction amount less than that recorded by the Standard Accounting and Reporting System.

Activity	Document Number	Transaction Date	Transaction Amount	Description/Explanation
Commander Naval Surface Force, Atlantic	N4658108MD01SR01	5/30/08	\$994,526.00	Lack of Documentary Evidence. No documentation provided to validate costs incurred to Reserve ships while performing active ship functions for equipment and related maintenance (purpose).
Commander Naval Surface Force, Atlantic	V538257274PC88	9/30/08	\$60,500.00	Lack of Documentary Evidence. No documentation provided to validate purchase card procurement for Commander, Naval Surface Force, Atlantic staff (purpose).
Commander Naval Surface Force, Atlantic	V231897274PR88	12/29/08	\$44,171.99	Lack of Documentary Evidence. No documentation provided to validate the purpose. The Standard Accounting and Reporting System report shows funds obligated on 28 February 2009, but we were unable to determine if this is an obligation adjustment or initial obligation.
Commander Naval Surface Force, Atlantic	V538257274PC88	10/01/08	\$36,906.08	Lack of Documentary Evidence. No documentation provided to validate purchase card procurement for Commander, Naval Surface Force, Atlantic staff (purpose).
Commander Naval Surface Force, Atlantic	V538257274PC88	9/30/08	\$36,906.08	Lack of Documentary Evidence. No documentation provided to validate purchase card procurement for Commander, Naval Surface Force, Atlantic staff (purpose).
Commander Naval Surface Force, Atlantic	V219497274PC88	11/26/08	\$7,893.94	Lack of Documentary Evidence. No documentation provided to validate costs incurred to Commander, Naval Surface Force, Atlantic for miscellaneous purchases on ships (purpose).

Activity	Document Number	Transaction Date	Transaction Amount	Description/Explanation
Commander Naval Surface Force, Pacific	RP00078001NK00 Rentz – Kwajalein, Marshall Islands	3/6/09	\$4,720.00	Lack of Documentary Evidence. No documentary evidence provided that validates port visit costs incurred to CNSP. A The Standard Accounting and Reporting System report was the only documentation provided; therefore, purpose and amount criteria could not be validated.

Enclosure 3:**Internal Control Issues**

Activity	Document Number	Transaction Date	Transaction Amount	Internal Control Issue^{††}
Commander, Naval Air Force, Atlantic	N5701208MP001PN	9/30/08	\$2,768,375.00	3
Commander, Naval Air Force, Atlantic	N5701208MP004PN	7/2/08	\$2,513,210.15	3
Commander, Naval Air Force, Atlantic	N5701208MP005PN	9/30/08	\$2,238,335.62	3,5
Commander, Naval Air Force, Atlantic	V570128108WL000	10/2/08	\$1,555,307.00	2,4,6
Commander, Naval Air Force, Atlantic	V570128158WL000	10/2/08	\$757,451.00	2,4,6
Commander, Naval Air Force, Atlantic	V570127312WL000	3/16/09 (STARS Run Date)	\$722,434.00	2,4,6

^{††}**LEGEND:** 1- insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6- reconciliation issues

Commander, Naval Air Force, Atlantic	V570128108WK000	10/2/08	\$717,525.00	2,4,6 ^{ss}
Commander, Naval Air Force, Atlantic	V570128022WK000	3/17/09 (STARS Run Date)	\$639,222.00	2,4,6
Commander, Naval Air Force, Atlantic	V570128158WK000	10/2/08	\$554,664.00	2,4,6
Commander, Naval Air Force, Atlantic	V570127341WK000	3/17/09 (STARS Run Date)	\$535,777.00	2,4,6
Commander, Naval Air Force, Atlantic	V570128037WK000	3/17/09 (STARS Run Date)	\$505,263.00	2,4,6
Commander, Naval Air Force, Atlantic	V570128277WL000	10/2/08	\$367,896.00	2,4,6
Commander, Naval Air Force, Pacific	N5702508RC00532	1/14/08	\$12,717,741.10	2,4
Commander, Naval Air Force, Pacific	R099628066FF00	3/31/08	\$131,571.20	1,4
Commander, Naval Air Force, Pacific	R099628267FF03	10/24/08	\$126,340.10	1,4

^{ss} **1-** insufficient, unofficial, or inconsistent supporting documentation, **2-** inability to provide documentary evidence to support obligations, **3-** unauthorized signature authority, **4-** documentation retention/lack of documentation, **5-** incorrect use of accounting codes, **6-** reconciliation issues

Commander, Naval Air Force, Pacific	R099628097FF01	5/13/08	\$115,104.96	1,4***
Commander, Naval Air Force, Pacific	R099628099FF01	5/13/08	\$108,232.20	1,4
Commander, Naval Air Force, Pacific	0000497175357 CC REF #	11/4/08	\$60,805.00	5
Commander, Naval Air Force, Pacific	4693041843031 CC REF #	10/29/08	\$4,659.48	5
Commander, Naval Air Force, Pacific	5999304300058 CC REF #	10/30/08	\$1,870.23	5
Commander, Naval Air Force, Pacific	R222027278GB00	5/31/08	(\$1,341.36)	4
Commander, Naval Surface Force, Atlantic	N465818001SK00	3/13/09 (STARS Run Date)	\$21,664,025.74	1,2,6
Commander, Naval Surface Force, Atlantic	N4658108MD01SUEZ	6/4/09 (STARS Run Date)	\$15,826,947.76	1,2
Commander, Naval Surface Force, Atlantic	N465818001SW00	10/3/08 (Check Book Run Date)	\$12,435,173.86	1,2

*** 1- insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6-reconciliation issues

Commander, Naval Surface Force, Atlantic	N465818001SL00	6/4/09 (STARS Run Date)	\$8,315,750.00	1,2 ^{†††}
Commander, Naval Surface Force, Atlantic	Work Year and Personnel Cost Report of September 2008	3/12/09 (STARS Run Date)	\$3,736,611.22	1,2
Commander, Naval Surface Force, Atlantic	N4658108MD01SR01	10/3/08 (Check Book Run Date)	\$994,526.00	1,2
Commander, Naval Surface Force, Atlantic	V5382581000019	3/20/09 (STARS Run Date)	\$586,310.96	1,2
Commander, Naval Surface Force, Atlantic	V215318014W023	3/16/09 (STARS Run Date)	\$87,116.00	1,2
Commander, Naval Surface Force, Atlantic	V538257274PC88	9/30/08	\$60,500.00	1,2
Commander, Naval Surface Force, Atlantic	V215608270MH99	3/16/09 (STARS Run Date)	\$49,122.00	1,2
Commander, Naval Surface Force, Atlantic	V21389727PR88	12/29/08	\$44,171.99	1
Commander, Naval Surface Force, Atlantic	V21389727PR88	2/28/09	\$44,171.99	1,2,6 ^{†††}

^{†††} 1 - insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6-reconciliation issues

^{†††} 1 - insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6-reconciliation issues

Commander, Naval Surface Force, Atlantic	V213898181B356	3/16/09 (Stars Run Date)	\$37,392.00	1
Commander, Naval Surface Force, Atlantic	V538257274PC88	9/30/08	\$36,906.08	1,2
Commander, Naval Surface Force, Atlantic	V538257274PC88	10/1/08	\$36,906.08	1,2
Commander, Naval Surface Force, Atlantic	N4658108WX0014I	10/3/08 (Check Book Run Date)	\$34,799.56	1,6
Commander, Naval Surface Force, Atlantic	V219498247D608	3/16/09 (STARS Run Date)	\$23,037.00	4
Commander, Naval Surface Force, Atlantic	V2153180250065A	3/16/09 (STARS Run Date)	\$13,305.30	1,2
Commander, Naval Surface Force, Atlantic	V219497274PC88	11/26/08	\$7,893.94	1,2,4
Commander, Naval Surface Force, Atlantic	V5382508TORBZU3	9/13/07	\$1,168.18	5
Commander, Naval Surface Force, Atlantic	V5382508TOREQ04	9/26/07	\$1,157.11	5 ^{§§§}
Commander, Naval Surface Force, Atlantic	V219497274PC88	10/13/08	(\$3,850.25)	1,2

§§§ 1 - insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6-reconciliation issues

Commander, Naval Surface Force, Atlantic	V215607274PC88	3/17/09 (STARS Run Date)	(\$5,933.70)	1,2
Commander, Naval Surface Force, Atlantic	V215607274PC88	10/13/08	(\$6,718.76)	1,2
Commander, Naval Surface Force, Atlantic	V215607274PC88	12/10/08	(\$18,200.63)	1,2
Commander, Naval Surface Force, Atlantic	V538257274PC88	10/1/08	(\$36,906.08)	1,2
Commander, Naval Surface Force, Atlantic	V21389727PR88	2/28/09	(\$44,171.99)	1,2
Commander, Naval Surface Force, Atlantic	V21389727PC88	12/9/08	(\$47,313.05)	1,2
Commander, Naval Surface Force, Atlantic	V21389727PR88	12/10/08	(\$50,990.00)	1,2
Commander, Naval Surface Force, Atlantic	V215317274PC88	12/9/09	(\$58,965.49)	1,2****
Commander, Naval Surface Force, Pacific	RP000708RC001QR	4/7/09 (STARS Run Date)	\$1,454,496.00	1
Commander, Naval Surface Force, Pacific	R5382408RC00006	4/7/09 (STARS Run Date)	\$695,082.00	1

**** 1 - insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6-reconciliation issues

Commander, Naval Surface Force, Pacific	RP00078001NK00 Rentz - Pagadian, Philippines	10/24/08	\$330,400.00	1
Commander, Naval Surface Force, Pacific	RY074408WR002K5	4/7/09 (STARS Run Date)	\$291,246.00	1
Commander, Naval Surface Force, Pacific	RP00078001NK00 Rentz - Zamboanga, Philippines	10/24/08	\$195,100.00	1
Commander, Naval Surface Force, Pacific	R2220282746602	12/8/09 (STARS Run Date)	\$172,717.71	1,2,6
Commander, Naval Surface Force, Pacific	RP00078001NK00 Princeton-Astoria USA	9/19/08	\$125,538.00	1,6
Commander, Naval Surface Force, Pacific	RP00078001NK00 Princeton-Guam USA	4/20/08	\$77,220.00	1,6
Commander, Naval Surface Force, Pacific	RP00078001NK00 Jarrett - Changi Singapore	9/19/08	\$38,204.00	1 ^{††††}
Commander, Naval Surface Force, Pacific	RP00078001NK00 Bonhomme Richard - Jebel Ali, UAE	12/26/07	\$11,312.00	1
Commander, Naval Surface Force, Pacific	R5382472750100	10/2/07	\$9,867.00	5

^{††††} 1 - insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6-reconciliation issues

Commander, Naval Surface Force, Pacific	RP00078001NK00 Rentz - Kwajalein, Marshall Islands	3/6/09	\$4,720.00	1,4
Commander, Naval Surface Force, Pacific	R538247274PC88	9/26/08	\$2,954.42	5
Commander, Naval Surface Force, Pacific	Jonells Corner	9/25/08	\$2,935.15	5
Commander, Naval Surface Force, Pacific	R2194408TOWIT02	12/18/09 (STARS Run Date)	\$243.00	5
Commander, Pacific Fleet	N0007008WE01102	12/20/09 (STARS Run Date)	\$5,612,240.61	1,5,6
Commander, Pacific Fleet	N6278608MD02918	2/19/10 (STARS Run Date)	\$153,939.00	1,2,6
Commander, Pacific Fleet	R57024-7274-0001	12/8/09 (STARS Run Date)	\$100,718.28	1
Commander, Pacific Fleet	N6278608MD02924	12/23/09 (STARS Run Date)	\$99,569.00	1,6 ^{****}
Commander, Pacific Fleet	N4941682411102	9/2/08 (STARS Run Date)	\$7,000.00	4
Commander, Fleet Forces Command	N4657908MD1AMC8	12/17/08 (STARS Run Date)	\$231,811,014.00	1,6

*** 1 - insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6-reconciliation issues

Commander, Fleet Forces Command	N4657908WR001MC	11/26/08	\$138,725,821.00	6
Commander, Fleet Forces Command	N4657908RC00191	9/4/07	\$16,265,498.39	5,6
Commander, Fleet Forces Command	N4657908MD8RAP8	12/17/08 (STARS Run Date)	\$5,851,765.47	1
Commander, Fleet Forces Command	V2170082646600	9/30/08 (STARS Run Date)	\$3,822,287.00	1,6
Commander, Fleet Forces Command	V2302782476500	9/30/08 (STARS Run Date)	\$2,047,571.68	1,6
Commander, Fleet Forces Command	N5701208MD4V0JC	2/2/10 (STARS Run Date)	\$4,461.00	1,5
Commander, Fleet Forces Command	N5701208MDP4O19	12/16/08 (STARS Run Date)	\$2,500.00	1,4
Commander, Fleet Forces Command	N5701208MDPAO31	9/26/08	\$2,500.00	1,4
Commander, Fleet Forces Command	N4657908TOSI96K	12/15/08 (STARS Run Date)	\$1,356.40	1,4 ^{§§§§}
Commander, Fleet Forces Command	V0336582126501	8/31/08 (STARS Run Date)	\$511.25	1,6
Commander, Fleet Forces Command	V2153182667048	10/31/08 (STARS Run Date)	(\$2,110,290.55)	1,6

§§§§ 1 - insufficient, unofficial, or inconsistent supporting documentation, 2- inability to provide documentary evidence to support obligations, 3- unauthorized signature authority, 4- documentation retention/lack of documentation, 5- incorrect use of accounting codes, 6-reconciliation issues

Commander, Fleet Forces Command	V2140082126500	8/31/08 (STARS Run Date)	(\$2,696,956.50)	1,6
Commander, Fleet Forces Command	V2156080466600	3/31/08 (STARS Run Date)	(\$3,267,345.96)	1,6

Appendix 1:

Management Response from Office of the Commander, U.S. Fleet Forces Command

	<p>DEPARTMENT OF THE NAVY COMMANDER U.S. FLEET FORCES COMMAND 1562 MITTSCHER AVENUE, SUITE 250 NORFOLK, VA 23561-2487</p>
	<p>7510 N00F/0312 08 Jul 11</p>
<p>From: Commander, U.S. Fleet Forces Command</p>	
<p>To: Naval Audit Service, 1006 Beatty Place SE, Washington Navy Shipyard, DC 20374-5005, Attn: Ms. Barbara McCabe</p>	
<p>Subj: BUDGET EXECUTION TRANSACTIONAL REVIEW AT SELECTED FLEET WARFARE ENTERPRISE COMMANDS (DRAFT AUDIT REPORT N2009-NFA000-0020.001)</p>	
<p>Ref: (a) NAVAUDSVC letter 7510/2009-NFA000-0020.001 dated 9 Jun 11</p>	
<p>Encl: (1) USFFC Audit Recommendation Responses</p>	
<p>1. In response to findings and recommendations under reference (a), enclosure (1) is provided.</p>	
<p>2. Please direct any questions to the US Fleet Forces Audit Liaison, [REDACTED] at [REDACTED] or [REDACTED].</p>	
<p>[REDACTED] [REDACTED] By direction</p>	
<p>Copy to: NAVAUDSVC, [REDACTED]</p>	

FOIA (b)(6)

FOIA (b)(6)



DEPARTMENT OF THE NAVY
COMMANDER
U.S. FLEET FORCES COMMAND
1562 MITSCHER AVENUE, SUITE 250
NORFOLK, VA 23551-2487

Response to:

BUDGET EXECUTION TRANSACTIONAL REVIEW AT SELECTED
FLEET WARFARE ENTERPRISE COMMANDS (DRAFT AUDIT
REPORT N2009-NFA000-0020.001)

Recommendation 1

Enforce guidelines for maintenance of documentation and perform periodic reviews to determine if controls are in place and working to ensure adequate documentation is readily available for review.

Response:

Concur. FFC has identified numerous barriers to document retention and availability at Fleet units (Operational Commands). FFC is taking steps to ensure financial records are retained and available for examination upon request. Target date for implementation of an Interim data warehousing system is January 2012. FFC is in communication with ASN (FM&C) to develop guidance pertaining to document retention standard that will be promulgated to subordinate activities. ASN (FM&C) indicates guidance should be forthcoming by 30 Sep 11.

Recommendation 2

Direct subordinate activities are to enforce guidelines for maintenance of documentation and periodically sample transactions to determine if controls are in place and working to ensure adequate documentation is readily available for review and funds are executed in accordance with defense guidance.

Response:

Concur. Direction to subordinate activities will be released upon receipt of retention guidance from ASN (FM&C). FFC will conduct periodic sampling to ensure compliance.

ENCLOSURE 1 N00F/0312

Appendix 2:

Management Response from Office of the Commander, U.S. Pacific Fleet



DEPARTMENT OF THE NAVY
COMMANDER
UNITED STATES PACIFIC FLEET
250 MAKALAPA DRIVE
PEARL HARBOR, HAWAII 96860-3131

IN REPLY REFER TO:
5740
N00F/0838
8 Jul 11

From: Commander, U.S. Pacific Fleet (N00F)
To: Naval Audit Service

Subj: MANAGEMENT RESPONSE TO NAVAL AUDIT SERVICE DRAFT AUDIT REPORT
N2009-NFA000-0020.001, BUDGET EXECUTION TRANSACTIONAL REVIEW
AT SELECTED FLEET WARFARE ENTERPRISE COMMANDS, OF 9 JUN 11

Ref: (a) NAVAUDSVC ltr 7510 Ser 2009-NFA000-0020.001 of 9 Jun 11
(b) SECNAVINSTR 5710.7F

Encl: (1) COMPACFLT Management Response to NAVAUDSVC Report
N2009- NFA000-0020.001

1. In response to reference (a) and in accordance with reference (b), enclosure (1) provides our management response. In addition, we note that there were no potential violations of the Anti-Deficiency Act discovered during the audit.

2. Point of contact is [REDACTED] (N00FA), at [REDACTED] or E-mail at [REDACTED].

[REDACTED]
[REDACTED]
G. DEVRIES
Fleet Comptroller

Copy to:
COMPACFLT (N01, N00IG)

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COMPACFLT Management Response to NAVAUDSVC
Report N2009- NFA000-0020.001
Budget Execution Transactional Review at Selected Fleet
Warfare Enterprise Commands

Recommendation 3: Enforce guidelines for maintenance of documentation and perform periodic reviews to determine if controls are in place and working to ensure adequate documentation is readily available for review.

COMPACFLT Response: Concur. In March 2011, COMPACFLT issued Financial Improvement Program (FIP) guidance that reemphasized to all COMPACFLT activities to perform reviews of transactions to determine that proper internal controls are in place and all transactions are supported with the proper documentation. Action completed.

Recommendation 4: Direct subordinate activities to enforce guidelines for maintenance of documentation and periodically sample transactions to determine if controls are in place and working to ensure adequate documentation is readily available for review and funds are executed in accordance with defense guidance.

COMPACFLT Response: Concur. In March 2011, COMPACFLT issued FIP guidance to COMPACFLT activities to review selected samples of transactions to ensure that all supporting documentation is in place and that funds are obligated and expended in accordance with defense guidance. Through the FIP, COMPACFLT is currently performing Summary of Budgetary Resource tests of transactions with subordinate commands to determine transaction accuracy, determine availability of documentation, demonstrate accountability, and identify gaps and issues in recording and processing transactions and to evaluate and improve financial infrastructure to support audits. Action completed.

Enclosure (1)

Enclosure 3:

Second Management Response from Office of the Commander, U.S. Pacific Fleet



DEPARTMENT OF THE NAVY
COMMANDER
UNITED STATES PACIFIC FLEET
250 MAKALAPA DRIVE
PEARL HARBOR, HAWAII 96860-3131

IN REPLY REFER TO:
5740
N00F/0933
25 Jul 11

From: Commander, U.S. Pacific Fleet (N00F)
To: Naval Audit Service

Subj: SECOND MANAGEMENT RESPONSE TO NAVAL AUDIT SERVICE DRAFT AUDIT
REPORT N2009-NFA000-0020.001, BUDGET EXECUTION TRANSACTIONAL
REVIEW AT SELECTED FLEET WARFARE ENTERPRISE COMMANDS

Ref: (a) NAVAUDSVC ltr 7510 Ser 2009-NFA000-0020.001 of 9 Jun 11
(b) Email from P. Lewis/NAVAUDSVC to L. Hanel/COMPACFLT of 21
Jul 11
(c) COMPACFLT ltr 5740 Ser N00F/0838 of 8 Jul 11

1. In response to references (a) and (b), this letter amplifies our management comments previously provided in reference (c).
2. We are working with ASN (FM&C) as part of the Financial Improvement Program to develop document retention standards. Once this guidance is developed by ASN (FM&C), we will promulgate the guidance to our subordinate activities. ASN (FM&C) indicates guidance should be forthcoming by 30 Sep 2011.
3. Regarding COMPACFLT and subordinate activities use of the USFF developed Interim Data Warehousing System, if ASN (FM&C) approves the System for official use consistent with the Financial Improvement Program, then COMPACFLT and subordinate activities will also use the System.
4. Again, we note that there were no potential violations of the Anti-Deficiency Act discovered during the audit. Point of contact is [REDACTED] (N00FA), at [REDACTED] or E-mail at [REDACTED].

[REDACTED]
Fleet Comptroller

Copy to:
COMPACFLT (N01, N00IG)

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